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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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STATE, NAVY reviews completed

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GENERAL

1. Western powers make new proposal for Austrian treaty:
The Western Powers recently presented a note to the Soviet Union proposing an abbreviated Austrian Treaty containing only eight articles.

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Comment: Although the preponderance of evidence points to a Soviet rejection of the Western proposal, the USSR may attempt to avoid being entirely negative in reply.

As long as there is no treaty the USSR can continue the military occupation and economic exploitation of eastern Austria and has legal justification for keeping troops in Rumania and Hungary. Far from appearing ready to cut its investment in Austria, recent Soviet activity suggests an intention to exploit its economic position to the utmost.

Outright rejection of the Western proposal, however, will present the USSR with the prospect of permanent Western rejection of its claims (now agreed to) to Danube shipping assets, oil assets, and \$150 million in payment for its present USIA holdings. Also, a Soviet attempt to renegotiate on the basis of the old draft treaty is possible in face of the Kremlin's probable awareness of the British, French, and Austrian willingness to settle on that basis.

A sudden Soviet move to resume negotiations in Austria could admirably serve the purpose of achieving an aspect of sincerity with respect to the recent German offer, and the attempt of the Soviet Union to stall West German integration with the West would thereby be strengthened.

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EASTERN EUROPE

2. Polish vessels reported carrying military materiel to Communist China: The Polish vessels Kosciuszko and General Bem departed Gdynia for China on 10 and 13 October 1951 respectively with cargoes of arms, processed foods, military clothing, and drugs.
In addition the Kosciuszko had three locomotives as deck cargo.

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Comment: Reports of varying reliability have from time to time stated that arms and other military stores were being transported from Gdynia to China in Polish vessels.

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the Kosciuszko departed Gdynia on 24 October, called at Durazzo, Albania, on 31 October, and bypassed Singapore enroute to Taku Bar on 15 December. The General Bem passed Singapore enroute to Taku Bar on 18 November.

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5. 25X1 Tuberculosis, typhoid and typhus occurring in North Korea: Approximately 60 percent of all North Korean government office workers and party organizers are infected with tuberculosis,

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typhus and typhoid serum are top priority import items and that the government has printed posters stating that the US has dropped typhoid germs in populated North Korean areas.

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25X1 Comment: The reported incidence of disease among Communist bureaucrats seems extraordinarily high. The need for typhus and typhoid serum and the blaming of the US for typhoid in populated areas may be cited as evidence that these diseases, endemic to Korea, still occur. Poor sanitary conditions and lack of mass civilian immunization, probably have contributed to this situation.

6. Koenig may succeed De Lattre in Indochina:

the posts of High Commissioner and Commander in Chief of French forces in Indochina are again to be held jointly by a military man, probably General Pierre Koenig, Gaullist deputy in the National Assembly.

25X1 Koenig's appointment to this post would be acceptable to French civilian and military authorities in Indochina.

25X1 Comment: Chairman of the Assembly's National Defense Committee, Koenig was formerly Chief of French forces in Germany, where he succeeded De Lattre on the Allied Control Council.

7. Viet Minh units reportedly move into Tonkin from south:

the Viet Minh general staff has ordered certain units in Interzones IV and V (Central Vietnam) to reinforce units in North Vietnam. All or part of the 325 Division is reportedly already at Ninh Binh.

25X1 Comment: There is no confirmation of this movement from other sources. While it is possible that certain units have

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been moved into Tonkin from the south, the mission of Viet Minh units south of Tonkin, as reflected by latest reported dispositions, is still that of occupying a maximum of French forces. It would not appear possible for this mission to be effectively carried out if the 325 Division were pulled out of its present position in the Hue-Tourane area.

8. Prominent Cambodians disappear: French and Cambodian officials profess mystification over the disappearance on 10 March of prominent Cambodian political figures, Son Ngoc Thanh and Ea Sichau, while on a tour of eastern Cambodia. There is some speculation that they were kidnapped by Issarak, Cambodian nationalist rebels, or by Viet Minh units operating in Cambodia; but it is possible that they went over voluntarily. In view of the popularity of these men, a serious situation might arise if they should attempt to lead an Issarak-Viet Minh coalition against French-Cambodian forces.

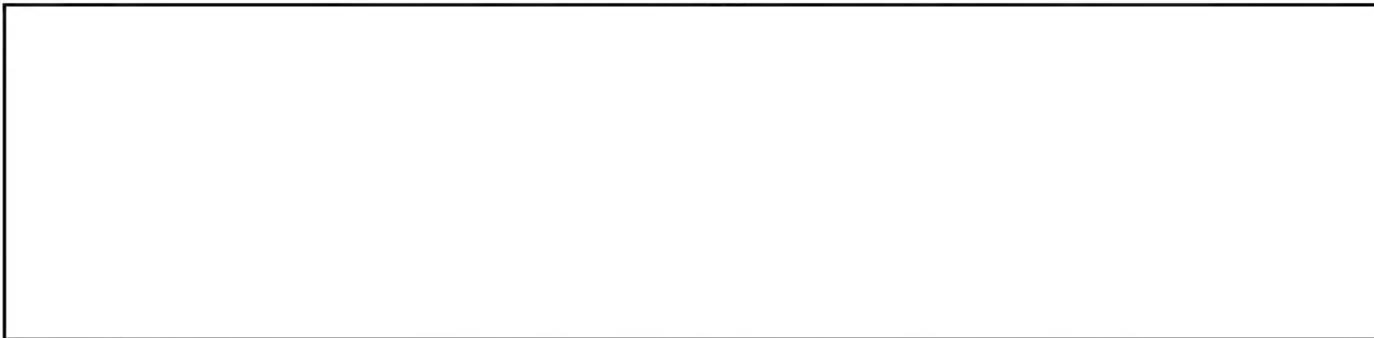
Comment: Son Ngoc Thanh is a vigorous political figure who is greatly respected by the Cambodians. In December 1951 he told an American official that he hoped to enlist the support of the French in an appeal designed to rally the support of the Issarak to the Cambodian Government. In January 1952 the leading French newspaper in Saigon, presumably in accord with the French High Commissariat, scored Thanh for his "naive" views regarding the Issarak. Thanh's younger brother, Son Ngoc Minh, is the leader of a pro-Viet Minh Cambodian rebel group, but there is no evidence that Thanh is a Communist.

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10. New Indonesian premier likely to be Masjumi member:
Ambassador Cochran reports that the new Indonesian premier will probably be a member of the Masjumi (Moslem) Party. Current speculation centers about Sukiman, the former premier, and Prawoto, parliamentary leader of the party. Cochran believes that the new cabinet will be similar to the former one, with conservative Masjumi elements holding important portfolios.

He states that there has been no lessening of press suspicion and hostility over the MSA issue.

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Comment: The two cabinet formateurs -- representatives of the Masjumi and National parties -- reportedly have agreed upon a program but have not yet completed the cabinet line-up.



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12. According to a Pakistani Foreign Office spokesman, his government informed France that it would delay presentation of the Tunisian issue to the Security Council provided France were willing to release the imprisoned nationalists and stop repressive measures.

He added that Indonesia is actually the prime mover in presenting the Tunisian problem, although Pakistan has assumed the chairmanship.

Comment: The French Foreign Office is attempting to dissuade Pakistan from presenting the issue, but continues to insist that, before nationalist leaders can be released, the Tunisian Government withdraw its petition for Security Council arbitration of the French-Tunisian disagreement.

Other reports have indicated that Pakistan is not an enthusiastic sponsor in this instance, but agreed to act as such in order to improve its position as a leader of the Moslem world. Iraq, not Indonesia, is the most active supporter of the Tunisian cause.

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WESTERN EUROPE

14. East German public increasingly apathetic to Communist programs: A recent public opinion poll by Taegliche Rundschau, the Red Army paper in Berlin, shows an increasing popular resistance to the programs of the East German Socialist Unity (Communist) party. Indications reported were: apathetic attendance at propaganda meetings; increased questioning of Communist policies, particularly the Russian retention of prisoners of war; marked public preference for radio programs originating in the American sector; a steady decline in the sale of Soviet-licensed newspapers; open threats to party functionaries; disinterest in Communist campaigns, such as Premier Grotewohl's peace treaty proposal; and popular unwillingness to testify in the press in support of Communist policies.

No specific reactions to the Soviet-proposed peace treaty have yet been reported.

Comment: The East German public has for the most part been apathetic toward the Soviet campaign for peace and unity. This is a notably frank Soviet report of popular dissatisfaction with the regime.

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15. East Germany may send long-term prisoners to USSR, release some political prisoners: Information Bureau West, a source of unknown reliability, reports that Hildegard Benjamin, vice president of the East German Supreme Court, has disclosed plans to send all prisoners in the Soviet Zone sentenced to more than 15 years at hard labor to serve their sentences in the Soviet Union. [redacted] plans to release the about 10,000 political prisoners with sentences up to 10 years and to reduce the sentences of those with longer terms.

The Investigating Committee for Free Jurists reports that preparations have been ordered to insure that existing political pressure on the population not be too conspicuous. Its report states that Premier Grotewohl has ordered the improvement of conditions in the Brandenburg penitentiary. Reportedly conditions have already improved there, with food rations increased and heads no longer shaved. The Committee states that similar reports have been received from other penitentiaries.

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Comment: These reports, if true, may reflect an effort of the regime to ingratiate itself with the people at a time when its popularity is at a low ebb, a practice typical of the Soviet system.

16. France favors a conditional answer to recent Soviet note on German peace treaty: French Foreign Office spokesmen believe that the Western replies to the recent Soviet note on a German peace treaty should not treat the issue as an isolated one, because confining discussion to Germany would be in the Russian interest. The French recommend that the West avoid any quadripartite conference on this question until the long-standing Austrian treaty negotiations are concluded and until Germany has a single government formed as a result of free elections throughout the country.

One Foreign Office spokesman expects that the Soviet about-face on German rearmament will greatly embarrass the French Communists.

Comment: French hopes for a demilitarized Germany were fairly thoroughly dissipated by the failure of the Big Four Deputies Conference last spring. The firm stand then taken by the West against further concessions to the USSR was well received by the French public.

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17. Since last summer, the French Government has adopted a progressively firmer policy on Communist activities in France, and little public pressure for renewed negotiations is likely unless Russia offers real concessions.

Trend toward less discord in French government coalition is anticipated: Although unable as yet to find any indication that the Pinay government itself will be long-lived, the US Embassy in Paris believes that the support from dissident Gaullists may presage a long-term trend toward a more harmonious coalition. This depends upon continued support of the new right-of-center coalition by some Gaullists, an accommodation by the centrist Popular Republicans to their vulnerable new position at the extreme left in the coalition, and hence assurance that the coalition can command a majority in the National Assembly without having to conciliate the Socialists. Some Gaullists will cooperate despite De Gaulle's preference for a stubborn opposition policy, provided there is a breathing spell of relative economic and international stability.

The Embassy considers particularly important the Socialists' better opportunity as an opposition party to win labor support away from the Communists and reports that Socialist militants are being "urgently" instructed not to be enticed into joint action with the Communists on the local level.

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18. Financial embarrassment of French Communist press alarms party leaders: The Politburo of the French Communist Party has appealed for stepped-up support of the campaign launched last month to raise 200 million francs to alleviate the heavy deficits of the Communist press. Although the appeal cites the increase in newsprint costs and lawsuits provoked by the "enemies of the people" as the major financial obstacles, the party is particularly disturbed by government action depriving its press organs of all forms of remuneration from state-sponsored publicity, such as the lucrative national lottery advertising.

The US Embassy in Paris reports, however, that Communist and particularly Communist-front periodicals and pamphlets seem to be sound financially and actually increasing in number. The Embassy points out that a larger apportionment of party funds to diverse publications even at the expense of the party newspapers would be in line with the current "united action" campaign directed at all classes.

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Comment: While most politically oriented French newspapers have been forced into debt by high operating costs and shortages, the Communists have shown the greatest concern because they are aware of the extent to which their strength depends upon the press. Financial difficulties are also aggravated by diminishing circulation and restrictive government legislation such as the pending Press Bill

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19. Austria suffers no Polish reprisals for default on trade agreement: Although Austria has exported no embargo-type ball bearings to the Orbit since 31 December, Polish reprisals have so far been confined to two protests from the Polish Commercial Attaché, and Czech fuel deliveries continue at the low level which has prevailed for some time.

While it is still too early to draw conclusions, Polish action seems less immediate than feared, and some discrepancy is evident in Austrian estimates of the situation. The Poles, who have recently made price concessions, are reportedly anxious to supply coal and to speed up deliveries. Recent Austrian moves to reduce imports of American coal also suggest far more optimism than the Austrians have previously admitted. Increased availability of coal from other sources, favorable supplies of fuel oil, and a mild winter, moreover, were all factors known to the Austrians at the time of their objection to American "tampering" with their coal supply.

It is possible that the Orbit's desire to maintain access to foreign currency may exceed its desire to retaliate for defaults in specific agreements.

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20. Austrian intragovernment dispute reflects basic issues: The dispute between the coalition parties over economic policies was aggravated last week by Vice-Chancellor Schaerf's utilization of his Washington visit to urge American support for the Socialist point of view. Threats of an appeal to the electorate have come from both sides, and no compromise is yet evident.

Although the Socialists have described their views as resistance to deflation, the real dispute is centered on the volume and allocation of future investments, rather than on other phases of the anti-inflationary program such as credit controls, improved tax collections, and stabilized wages and

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prices. The Socialists insist that the proposed re-direction of investments to areas promising early returns in consumer and export items not be accomplished at the expense of heavy industry and long-range projects. Thus they have raised a fundamental economic dispute which has plagued the European Recovery Program since its inception, meanwhile defending their political interests in the nationalized industries and in full employment.

The American Mission in Vienna believes that Schaerf is not only exaggerating the proposed shift from long-term to short-term investments, but discounting the inflationary effect of huge budget deficits and ignoring large areas of agreement already achieved between the coalition partners. The Mission fears that Socialist objections may endanger a program considered necessary to eliminate Austrian dependence on foreign aid.

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21. Belgian Cabinet pessimistic regarding country's defense commitment: The Belgian Prime Minister and his Finance and Foreign Ministers state that their country cannot meet the financial burden growing out of its defense effort.

The Prime Minister said that deterioration of the Belgian economy is the real problem and that "nobody believes western Europe is now in danger of Soviet military aggression." The Finance Minister asserted that he will not agree to inflationary measures to meet rearmament needs.

The leaders of the government party are seriously considering a reduction in the present two-year conscription period. Defense Minister De Greef has threatened to resign if this step is taken, since he feels that the present military program could not then be accomplished.

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Comment: Despite numerous American representations that the country's economy could be expanded without serious danger to provide a higher level of defense production, Belgium has been increasingly reluctant to undertake greater financial commitments even on a piecemeal basis.

Defense Minister De Greef, an able, non-party military man, has been largely responsible for carrying out the expansion of the Belgian Army ahead of schedule. His resignation would seriously retard efforts to secure increased Belgian defense commitments.

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LATIN AMERICA

22. Attempt to sabotage vital installation of Panama Canal: Two unidentified white men tried on 12 March to sabotage the La Boca Tank Farm, a vital installation of the Panama Canal, by throwing a homemade Molotov cocktail into the vicinity of one of the tanks. The attempt was unsuccessful, with the ensuing grass fire put out before the tanks were endangered. 25X1

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23. Recognition of new Cuban regime by the US may be delayed: The United States is receiving numerous inquiries, particularly from other governments, as to its attitude toward recognition of the Batista regime. So far its replies have been noncommittal. Before taking any action on recognition, it wishes to consider carefully the US Embassy's appraisal of the factual situation. It may be desirable to delay recognition somewhat longer because of the possibility of repercussions in other countries where elections are being held this year and where the situation is not stable, especially Panama 25X1
Ecuador, and Chile. 25X1

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Comment: Venezuela, Nicaragua and the Dominican Republic have recognized the Batista regime. Colombia has announced that it will continue to maintain diplomatic relations with Cuba and that the imminent presentation of Cuban Minister Lievano's credentials will automatically grant de facto recognition.

24. President of Peru signs petroleum law: President Manuel Odria on 12 March signed a law opening Peru's oil deposits to foreign companies on a fifty-fifty profit-sharing basis. In a radio address regarding the signing, he reaffirmed Peru's anti-Communist policy and violently criticized Communist forces "which had endeavored to defeat" this bill. 25X1

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Comment: The new petroleum law favors private enterprise, is quite acceptable to present foreign producers, and should attract additional foreign capital. Peru, South America's oldest but no longer a major oil producer, has estimated reserves of 160,000,000 barrels. International Petroleum Company, an affiliate of Standard Oil of New Jersey, accounts for approximately 75 percent of production.

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The only pro-Communist organ in Peru, the weekly 1952, was until last September highly critical of Odria's petroleum measure, but suddenly did an about-face after reported favors from the government.

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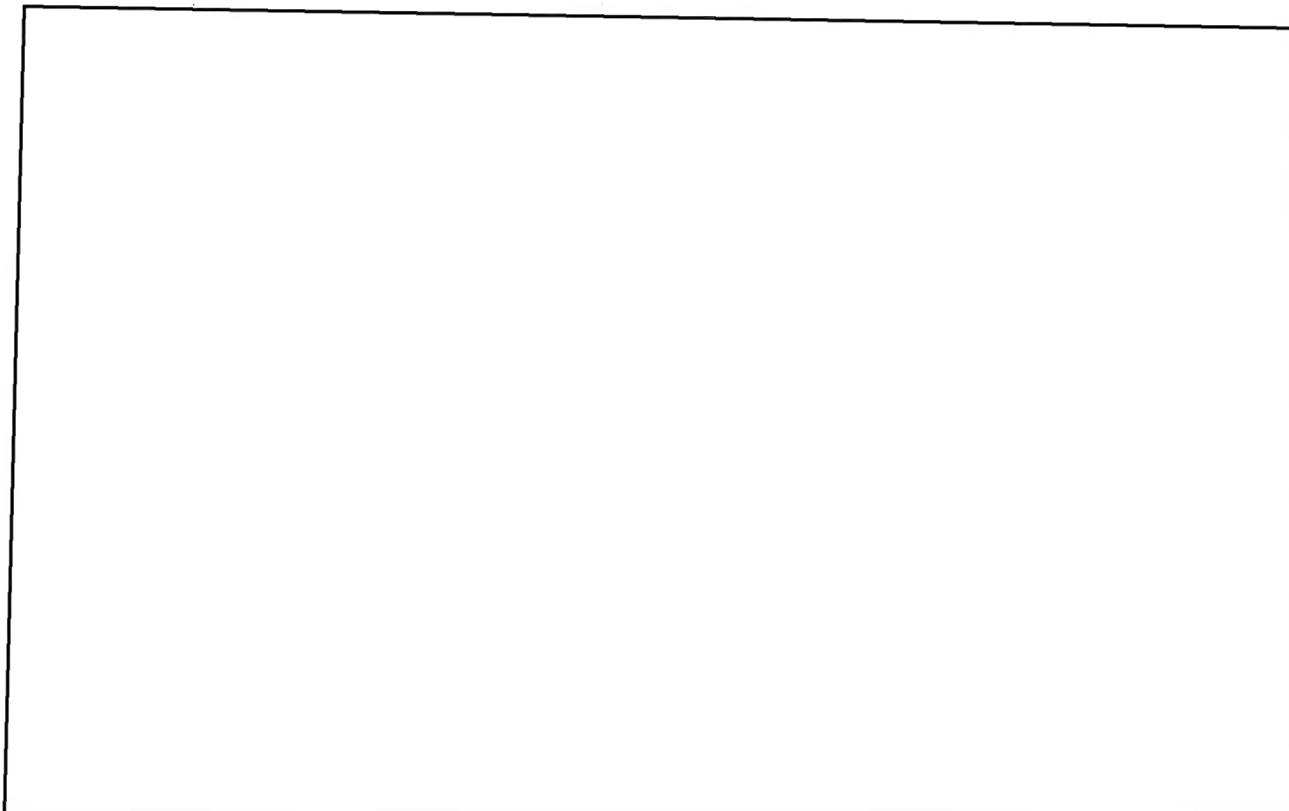
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WESTERN EUROPE

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3. Italy agrees to Trieste elections: Italy is in agreement with scheduling the Trieste elections for 25 May, the date set for the local elections in southern Italy, provided they are held under Italian law.

Italy has dropped its earlier objections to the elections because it feels an impasse has been reached in its current negotiations with Yugoslavia.

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Comment: Prospects for a victory of the pro-Italian democratic parties in the Trieste Zone A elections may be jeopardized by the Catholic Action group, which objects on religious grounds to Christian Democratic cooperation with the other moderate Italian parties.

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